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CENTRAL INTELLIGENCE AGENCY

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EASTERN EUROPE

1. Czech Communists step up production and socialization campaign: The US Embassy in Prague believes that the Czech Communist regime now feels itself strong enough to take vigorous measures to increase industrial production and liquidate "class enemies." The Ministry of State Control and the newly created Ministry of Railroads have been given extraordinary powers to deal with production lags and labor problems. The drive against the kulaks is being intensified, and the Embassy anticipates that the deportations of "politically unreliable" from Prague, Bratislava and Brno will spread. (C Prague 80, 8 Aug 52)

Comment: An intensified socialization drive has been apparent in both Czechoslovakia and Hungary since June. The Czech campaign points up the fact that the party has recovered from the effects of last winter's major purges.

2. Czech Minister of Agriculture complains of "serious shortcomings" in harvesting progress: On 6 August Czech Minister of Agriculture Josef Nepomucky complained of "serious shortcomings" in the progress of the harvest. In an urgent appeal to all farmers, cooperatives, tractor stations and local government organizations, he stressed the importance of night work and proper organization in order to assure a satisfactory grain harvest. (R FBIS Prague, 6 Aug 52)

Comment: Earlier reports by government officials predicted an excellent harvest and indicated that the machine tractor stations and the cooperatives were making satisfactory preparations. These groups have been exhorted to aid private farmers in fulfilling their harvest quotas. The newly organized Ministry of Agricultural Supplies is authorized to "encourage" private farmers to join collectives. In the light of these facts, Nepomucky's complaint about shortcomings in organization appears to set the stage for the forceful collectivization of agriculture on a large scale.

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## FAR EAST

3. Kennan sees civil war in Japan as Soviet aim: Ambassador Kennan believes that the primary objective of Soviet Far Eastern strategy is the capture of Japan by an eventual Communist-led civil rebellion. He bases this conclusion on an analysis of an article by the fugitive Japanese Communist leader, Kyuichi Tokuda, which recently appeared in the Cominform journal and in the Moscow press.

This program, Kennan notes, would require "extensive united-front tactics," to induce large segments of the population to accept Communist leadership in armed insurrection. The Ambassador believes that use of the Soviet Army at some stage is possible, but that Moscow would prefer the conquest to come through a "domestic upheaval." (C Moscow 259, 7 Aug 52)

Comment: The official Communist line in Asia since 1949 has emphasized "liberation" by Communist-led native armies. The Japanese Communists belatedly adopted this militant policy in October 1951. Tokuda's recent article, however, suggested a change in emphasis by criticizing the Japanese Communists for neglecting political activity.

The Japanese Communists are unlikely to gain sufficient popular support for a successful armed revolt in the foreseeable future.

4. Japan disappointed over UN ineffectiveness on Japanese POW question: Ambassador Murphy reports that the UN's ineffectiveness in handling the question of Japanese POW's held by the Soviet Union has considerably dampened Japanese enthusiasm toward this type of approach, and made them realize the UN's limitations in the face of Soviet intransigence. Manifestations of this attitude can be seen by the Japanese apathy toward participating in the UN's Geneva POW meetings, and further by their attempts to utilize other approaches to the POW problem.

Murphy suggests that it would be desirable to again consider a bilateral approach by the United States to the Soviet Union. Although unlikely to succeed, he believes that it would be of significant value in satisfying Japanese sentiment on the eve of the coming elections. American interest could be further demonstrated by having American delegates to the Geneva meeting and ranking government officials prepare strong parallel statements on this subject. (C Tokyo 519, 7 Aug 52)

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5. Peiping reportedly plans to declare war on United States:

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Chinese Partisans of Peace and other Communist contacts that they expect an "early declaration of war" against the United States by the Peiping regime. The source, an official in the French Ministry of Interior, suggests that the reports may be a [redacted] deception.

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Comment: Several other sources have reported that Peiping was preparing for World War III in the near future. [redacted] would not be likely to have access to information of this type.

The significance of such a Chinese action would lie in its automatic invocation of the Sino-Soviet treaty of 1950. By designating its forces in Korea as "volunteers" and by failing to declare a formal state of war with the United States, Peiping has declined to invoke this treaty.

Both Moscow and Peiping appear interested in avoiding an expansion of the Korean conflict at this time.

6.

Rice-rubber barter negotiations between China and

Indonesia reported: A Hong Kong firm, acting on behalf of an Indonesian client, offered 5,000 long tons of rubber to a Chinese company in Tientsin,

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[redacted] In exchange for the rubber, the Chinese are to ship 45,000 metric tons of rice.

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The Indonesian client is said to be "very close" to his government and has already obtained a license for the barter deal.

[redacted]

Comment: Although different in some details, this report generally supports information of a China-Indonesia barter deal

According to [redacted] the agreement has already been concluded.

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7.

MacDonald's statement emphasizes Vietnamese independence: British Commissioner General for Southeast Asia MacDonald may have been intending to force the French to clarify their relationship with the Associated States when he called

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attention to Letourneau's June statement in Washington that Vietnam, Laos, and Cambodia enjoy what amounts to dominion status within the French Union. At a press conference MacDonald praised Letourneau's sincerity which has "proved beyond doubt that France's purpose is the complete national freedom of Vietnam, Laos, and Cambodia on a basis of fraternal equality with France and other free nations."

MacDonald was in effect outlining the aims of Vietnamese nationalism, not current French policy. Letourneau's remark elicited a rebuke by President Auriol and was censored in Saigon and apparently in Paris. (Factual data from: U Saigon 332, 8 Aug 52)

8. Communist coalition reported in Burma: The American Embassy in Rangoon has received several reports that the leaders of Burma's two Communist parties and the pro-Communist PVO insurgents agreed to form a coalition at a recent meeting in northern Burma. The Embassy comments that such a development would be in line with the current Communist line calling for unity among insurgents, and that their current desperation may encourage the effective integration which they have previously failed to achieve. (C Rangoon 202, 8 Aug 52)

Comment: The Burmese Army's pressure on the Communists in central Burma has been unusually constant through most of 1952. There have also been reports that the Chinese Communists have insisted on a united Communist front as a prerequisite to aid from China.

9. Burmese Defense Minister seeks increase in military expenditures: The American Army Attaché in Rangoon has been confidentially informed that the Burmese Defense Minister is seeking 390,000,000 kyats for the armed forces in 1953 as compared to 220,000,000 in 1952. [ ] expects that the 25X1A request will be granted. (S US ARMA Rangoon 78, 8 Aug 52)

Comment: The Burmese have been expanding their armed forces and intensifying anti-Communist operations during the past several months. The Defense Minister has stated that he expects to restore peace by the end of 1953.

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NEAR EAST - AFRICA

10. Iranian note to Great Britain indicates no desire to compromise: Ambassador Henderson reports that the 7 August Iranian note to Great Britain which offered to reopen oil negotiations was ill-timed and appeared to nullify current American and British efforts to prepare a joint approach to Iran. (S Tehran 579, 7 Aug 52)

Comment: The intemperate Iranian note demands several million pounds allegedly owed to Iran by the Anglo-Iranian Oil Company. It shows that Mossadeq has no intention of compromising with the British despite Iran's desperate need for funds.

11. Iranian peasants becoming restive: Unrest in Iran is now spreading to the traditionally apathetic and conservative peasants. The American Embassy has been receiving a growing number of reports from various sections of the country which feature politically ambitious Mullahs inciting the peasants against landlords. Some of the arguments used by the Mullahs appear to follow the Communist line and to arouse class antagonism rather than to present a constructive approach to the land reform program. (C Tehran 571, 7 Aug 52)

Comment: Mossadeq is sponsoring an agrarian reform program; he is undoubtedly aware of its usefulness as a supplement to the anti-British campaign.

The approach to the peasants, like so many other National Front maneuvers, lends itself to Communist exploitation.

12. Britain to propose conference to safeguard free use of Suez Canal: The British Foreign Office plans to propose a confidential conference of maritime powers using the Suez Canal, including the United States and France, to decide what action to take if Egypt should interfere with shipping, other than that bound for Israel. Also discussed would be guarantees which might be jointly sought from Egypt. (S London 659, 6 Aug 52)

Comment: Egyptian Prime Minister Ali Maher has expressed a desire to reach a general understanding with Great Britain, and appears anxious to encourage the development of an atmosphere of trust preparatory to negotiations between the

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two countries. However, Great Britain evidently fears that the prevailing political forces in Egypt may eventually require the present regime to adopt a strongly nationalistic attitude and to express it in a dramatic move such as an attempt to restrict the use of the canal.

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WESTERN EUROPE

13. East Germans plan military vehicle production for Alert Police at freight car plants: The Lowa-Wagenbau-Bautzen factory in East Germany is allegedly scheduled to convert from the production of railroad cars to the production of "military vehicles" at the end of 1952. Tracked vehicles of 120 horsepower and capable of towing artillery will reportedly be produced.

American observers in Frankfurt report that the conversion of several freight car factories to the production of transport for the Alert Police is now "clear," although the plants involved and the level of production have not been established. (S Frankfurt Sitrep 29, C-3, 5 Aug 52)

Comment: Factories believed scheduled for conversion are now producing for the Russians. The generally dilapidated condition of the East German railroad system will not, therefore, be aggravated by the move. Apparent willingness of the Soviet Union to relinquish at least some of its reparations or export claims on the East German economy may suggest one means by which the Russians intend to support East German remilitarization.

14. Anti-Communists in West Berlin denied arms: Despite American objections, the Allied Commandants in West Berlin turned down a request by city officials that certain anti-Communists be allowed to carry arms in order to forestall future kidnappings. The French Commandant said that he would order the arrest and trial of any West German who was apprehended with arms even though authorized to carry them by British or American authorities.

In response to another West Berlin appeal for anti-kidnapping measures, the Commandants agreed that policemen should be stationed at major sector-crossing points, and that motor vehicles should be forced to slow down or stop at these crossings. The British Commandant indicated that he was "frightened" by the possibility of a shooting incident if a vehicle failed to stop when so ordered by the police. (S Berlin 248, 8 Aug 52)

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Comment: Thus far the West Berlin Senate has advocated far stronger anti-kidnapping measures than the Allies have been willing to countenance. The Allies, particularly British and French authorities, seem to feel that kidnappings cannot be prevented, and that strong measures might lead to an uncontrollable incident.

Except for the barricades set up between the city and the surrounding countryside on the order of the Berlin Senate, the countermeasures so far adopted will not effectively hinder further kidnappings.

15. Austro-Polish trade talks broken off: The Polish delegate at the Austro-Polish trade negotiations in Vienna has "temporarily" suspended discussions and returned to Warsaw. Prior to his departure, he proposed an interim three-month extension of the existing agreement with a 25 percent increase in selected quotas.

The Austrians are reportedly receptive to this proposal; they believe, however, that the possibility of concluding a new agreement in November will depend on the urgency of Poland's need to sell coal at a time when Austria is faced with a winter coal shortage. (C Vienna 390, 8 Aug 52)

Comment: The probability that Poland is counting on a weakening of Austria's bargaining position emphasizes Austria's need to use its favorable coal credit with Poland immediately to increase its stockpiles of coal.

16. Austrian trade contacts may be sought by Russians during Vienna fair: The American Embassy in Vienna believes that the anticipated arrival during the September trade fair of a Soviet delegation headed by Deputy Minister of Foreign Trade Zakharov may be related to recent Austrian proposals for trade talks. (S Vienna 377, 7 Aug 52)

Comment: Foreign Minister Gruber recently informed the American Embassy that his government has tentatively decided to offer to negotiate a trade agreement with the Soviet Union, since it was under strong pressure from Austrian businessmen, and expected a Soviet initiative. Gruber, while agreeing to postpone an approach until September, urged an American expression of opinion by that time since he anticipated that the issue would "become public this autumn."

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17. Dutch Foreign Minister disgusted with Schuman Plan meeting: Dutch Foreign Minister Stikker has informed the American Embassy in The Hague that at the recent meeting in Paris he told the Schuman Plan ministers of his disgust at their "pettiness, indecision and nationalism."

In an effort to put an end to the "scheming" of France, Italy, Belgium and Luxembourg for individual advantage in the organization, he offered to forego such advantages for the Netherlands provided the other countries would "get together, organize, and get something done." Monnet, the real author of the Schuman Plan, twice offered to resign and accused French Foreign Minister Schuman of having "sunk the cause of European unity."

Stikker does not expect any concrete results from the current meeting in Luxembourg. (S The Hague 194, 7 Aug 52)

18. Third attempt to form a Dutch Cabinet being made: Cabinet formateur and Labor Party parliamentary leader Donker is attempting to form a coalition to include the Labor and Catholic Parties and two of the minor parties. Should the Anti-Revolutionary Party, one of the minor conservative parties, continue to be adamant on the distribution of the cabinet portfolios, Donker will reportedly proceed to form a government without this party's participation. (C The Hague 193, 7 Aug 52)

Comment: Since the June elections, two attempts by Socialist and Catholic party leaders to form a cabinet have failed. Agreement has reportedly been reached on the prospective government's program, and the snag in the negotiations relates to the distribution of portfolios. Labor Party leaders would prefer a three-party coalition.

Prolonged negotiations on forming a government are usual in the Netherlands.

19. Danes fear US intends to eliminate all East-West trade: According to the US Embassy in Copenhagen, the Danes have long been concerned that American efforts to control the export of strategic items to the Orbit may indicate a trend, intentional or otherwise, toward the elimination of all trade with the USSR and its Satellites. They consider such a result undesirable both economically and politically.

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The Embassy believes that Danish willingness to co-operate in trade controls would improve if the US gave a clear and convincing demonstration that it is not seeking the abolition of all trade with the East. (S Copenhagen 169, 8 Aug 52)

Comment: Denmark has given only half-hearted cooperation in COCOM matters. Similar sentiments are evident in other Western European countries.

#### LATIN AMERICA

20. Argentine labor may attempt coup: The General Confederation of Labor may attempt an early coup, [redacted]

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Similar information comes [redacted]

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Comment: The death of Senora de Peron has increased the likelihood of conflict between labor and the army. This is the first report suggesting that labor is prepared to take direct action to preserve its influence on the government.

The reported existence of an army plot to overthrow Peron, tentatively scheduled for the near future, might cause the General Confederation of Labor to attempt a preventive coup to "protect" Peron.

The General Confederation of Labor is effectively infiltrated by Communists.

21. Scattered violence continues in rural Guatemala over agrarian reform: An armed attack was made on a group of farm workers gathered to hear government officials explain the newly-enacted agrarian reform law. At least fifty persons were reportedly wounded. The army and the police were alerted and a state of siege may be declared in the area where the disturbance occurred. (R FBIS [redacted])

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Comment: This is just one incident in the scattered violence in rural areas during the past ten weeks. Opposition to the reform law is general among landowners. Opposition has also been evident on several occasions among the farm

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workers who are the presumed beneficiaries of the law. Some of them identify the law with Communism, and several times pro-government "agrarian reform missionaries" have been run out of villages by mobs of Indians shouting "Down with Communism!" and "We don't want a Communist law!"

Incidents of local violence can be expected to continue after the initiation of expropriation proceedings next month.

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